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REMUNERATION REPORT 2022 FOR GRÄNGES AB

Introduction

This report describes how the guidelines for salary and other remuneration to the senior managers, adopted by the Annual General Meeting 2022, have been implemented during the year. The report provides information on remuneration to the CEO and the deputy CEO and a summary of the outstanding share or share price-related incentive programmes.

The report has been prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Corporate Governance Board's *Rules on remuneration to senior executives and on incentive programs*.

Further information on remuneration to senior managers is available in note 10 on pages 93-94 in the annual report for 2022. Information about the work of the Remuneration Committee during 2022 is stated in the Corporate Governance Report on page 73 in the annual report for 2022.

Remuneration to the Board members is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and is disclosed on page 73 in the annual report (Corporate Governance Report) for 2022.

Key events 2022

The CEO summarizes the financial year 2022 and the company's overall performance on page 2-5 in the annual report for 2022. Information is therewithin provided regarding the key elements which have had an impact on the remuneration during the financial year.

The company's remuneration guidelines: scope, purpose and deviations

Successful implementation of the company's business strategy and the safeguarding of the company's long-term interests and sustainability require that the company can recruit, develop and retain skilled persons in the Group Management. This requires that the company can offer fair and internally balanced terms that are at the same time market-competitive in terms of structure, scope and level of remuneration. The company's remuneration guidelines make it possible for the company to offer people in the Group Management, regardless of geographical market, a competitive total remuneration. According to the remuneration guidelines, remuneration to senior managers must be based on market conditions and include a well-balanced combination of a fixed salary, variable remuneration, pension benefits and other benefits. The outcome of STI shall be governed by financial and non-financial parameters for the Gränges Group. The financial objective must be related to value creation and the non-financial objective must be linked to the carbon footprint of the business, which is a long-term sustainability goal. The objectives must be designed so that they both promote the Group's business strategy and long-term

sustainability goals. The most recently adopted remuneration guidelines can be found on pages 65-66 in the annual report for 2022. In accordance with the remuneration guidelines adopted by the 2022 Annual General Meeting, the Board of Directors has the option to decide on deviations from the remuneration guidelines. Based on this option, the Board of Directors decided, on one occasion in 2022, to deviate from the remuneration guidelines by making an extraordinary payment of SEK 1 million in special remuneration to the Deputy CEO, in order to ensure the continuity of group management after the change of CEO at the end of 2021.

GUIDELINES FOR SALARY AND OTHER REMUNERATION

The company's auditor must comment on whether the remuneration guidelines have been followed. The auditor's report on the remuneration guidelines for 2022 is available on the company's website. The Board of Directors has for the Annual General Meeting 2023 proposed that the General Meeting resolves upon minor adjustments to the remuneration guidelines.

In addition to remuneration covered by the remuneration guidelines, it has been decided to implement incentive programs at previous General Meetings of the company.

No remuneration has been reclaimed by the company during the financial year.

Total remuneration to managers in 2022

MSEK	1. Fixed remuneration		2. Variable remuneration			3. Extraordinary circumstances ⁵⁾	4. Pension expenses	5. Total remuneration	6. Proportion of fixed and variable remuneration, %
Manager	Fixed Salary ¹⁾	Fringe benefits ²⁾	Annual	Long-term ³⁾	Other ⁴⁾				
Jörgen Rosengren, CEO	6.5	0.1	2.1	1.1	0.6	–	2.2	12.7	70/30
Oskar Hellström, deputy CEO	4.8	0.4	1.6	2.3	1.0	1.0	2.6	13.7	53/47

1) Holiday pay of SEK 0.2 million included.

2) Employment benefits refer to household services, car, healthcare, and training benefits. The cost of the car benefit is reported net after gross salary deductions.

3) Long-term remuneration pertains to the LTI programmes 2019, 2020 and 2021 and is reported over the vesting period.

4) Other remuneration refers in its entirety to cash contributions received as part of the IP 2020 and IP 2022 (see section Share-based remuneration - Outstanding incentive programmes) reported over three years (vesting period for the contribution).

5) In order to ensure continuity in the Group Management after the change of CEO in the end of 2021, the Board decided to deviate from the remuneration guidelines on one occasion during 2022 by making an extraordinary payment of SEK 1 million in special compensation to the deputy CEO.

Share-based remuneration - Outstanding incentive programmes

Senior managers and other members of the Group Management were in 2020 offered to participate in a long-term investment programme ("IP 2020"), which is a one-off programme aimed at increasing exposure to the Gränges share. The participants in IP 2020 invested an amount corresponding to 50 per cent of an annual basic salary before tax in call options and shares and received in connection thereto a cash contribution which, after tax, amounts to

50 per cent of the annual basic salary, which in the programme is called the "Net Contribution". If the participant has resigned or the participant's employment has been terminated within three years from the date of payment of the Net Contribution the contribution has to be refunded to Gränges in its entirety. Participants in IP 2020 were able to adjust their risk level by choosing to invest different proportions in call options respective shares in Gränges. These shares were acquired in the usual manner through trading on Nasdaq Stockholm. The price per call option was SEK 7.38 and the strike price per share was initially set at SEK 87.00 and was adjusted down to SEK 77.10 after the new issues in the Gränges share that were completed in November 2020.

The call options can be exercised at the earliest during the second quarter of 2023 and thereafter during the following seven quarters.

With regard to the valuation method for the share-based remuneration, a standard method (Black & Scholes) was used for the purpose of harmonization to determine the value of this type of remuneration. The starting point shall be the market value attributable to the year in which the shares or share options were awarded or offered.

In addition to IP 2020, senior managers and other key individuals in the Group were further offered in 2022 to participate in a long-term warrant programme ("IP 2022"). Through IP 2022, 900,000 warrants were issued free of charge to the company, which subsequently has the right and obligation to transfer the warrants to the participants of IP 2022. In order to encourage participation in IP 2022, a subsidy may be paid which, after deduction of tax and other applicable fees, amounts to 50 percent of the premium paid for each warrant (called "net contribution" within the programme). If the participant has terminated its employment or been terminated within three years of the payment of the warrant premium or if the participant has disposed of warrants within a period of three years from the payment of the warrant premium, a repayment obligation arises for the participant of all or part of the net contribution. However, the repayment obligation shall be reduced in relation to how long the participant has worked in Gränges during the term of the warrants and in relation to the number of disposed warrants.

The programme will run for approximately three years. Each warrant shall entail a right to subscribe for one (1) new share in the company at a subscription price corresponding to 115 percent of the volume-weighted average price of the company's share on Nasdaq Stockholm OMX Mid Cap during the period as of 5 May 2022 up to and including 18 May 2022. Subscription of shares upon exercise of the warrants may be made during a period of ten (10) trading days from the date of publication of the interim report for the period April 1 – June 30, 2025, at the earliest.

See table below for more detailed reporting of IP 2020 and IP 2022 regarding the CEO and the deputy CEO.

Share options awarded or due during the financial year

	Main terms for IP 2020 and IP 2022							Information connected to the financial year					
	1. Specification	2. Performance period	3. Award date	4. Vesting date	5. End of retention period	6. Exercise period	7. Strike price (SEK)	Opening balance	During the current year	Closing balance			
								8. Options previously acquired	9. Option acquired	10. Options vested	11. Options subject to conditions	12. Unvested options	13. Options subject to retention periods
Manager													
Jörgen Rosengren, CEO	Warrants	3 years	May 2022	Q2 2025	Q2 2026	1 year	87.53	–	180,000	–	–	–	–
Oskar Hellström, Deputy CEO	Warrants	3 years	May 2020	Q2 2025	Q2 2026	1 year	87.53	–	90,000	–	–	–	–
	Call options	3 years	Nov 2020	Q2 2023	Q2 2025	2 years	77.10	150,000	–	–	–	–	–
Total								150,000	270,000	–	–	–	

Application of performance criteria for variable remuneration

The variable remuneration consists partly of a short-term annual incentive programme (STI 2022) and partly of several parallel long-term programmes called LTI. Both provide cash compensation. The outcome of STI shall be governed by financial and non-financial parameters for the Gränges Group. In 2022, the financial objective has been value creation and the non-financial has been the carbon emission intensity of the business, which is a long-term sustainability goal. The objectives have been designed so that they both promote the Group's business strategy and long-term sustainability goals. The targets specify a threshold value, a target value and a maximum value which are determined in advance and are based on the latest information available to the company at the time of the decision. At the end of the measurement period for fulfilment of the predefined parameters for payment of STI, an evaluation is based on the latest financial information made public by the company. With regard to the sustainability objective, the assessment is based on what the company has stated in the sustainability report. The CEO is responsible for the assessment as far as the deputy CEO is concerned and the CEO is assessed by the Remuneration Committee of the Board. In accordance with the so-called grandfather principle, the CEO's assessment of the deputy CEO is reported in the Remuneration Committee.

Remuneration for STI can amount to a maximum of 60 per cent of the fixed annual basic salary for both the CEO and the deputy CEO.

STI is supplemented with an LTI programme that runs for three years. An amount corresponding to the outcome from STI for each participant in that programme is reserved in a so-called LTI bank. Given that the CEO or Deputy CEO has not resigned or been dismissed, the amount allocated to LTI shall be paid at one third per year for three years. In 2022, payments were made from LTI 2020, LTI 2019, and LTI 2018. The amount is adjusted before the payment for the Gränges share's total return. The payment from LTI 2018 meant that this programme was terminated.

The total outcome of STI plus paid LTI for one year is limited to 150 per cent of the fixed annual basic salary.

Performance of the senior managers during the financial year

	1. Description of the performance criteria	2. The relative weight of the criteria	3. Performance targets		4. Actual outcome
			a) Minimum target b) Corresponding award	a) Maximum target b) Corresponding award	
Manager					a) Measured performance b) Actual outcome c) Weighted allocation
Jörgen Rosengren, CEO	Value Creation, MSEK	80%	a) –165 b) 20%	a) 539 b) 100%	a) –45 b) 26.8% c) 21.4%
	Carbon Emissions Intensity, tCO ₂ e/tonne	20%	a) 9.8 b) 20%	a) 7.9 b) 100%	a) 8.9 b) 59.4% c) 11.9
	Total outcome¹⁾				a) 33.3%
Oskar Hellström, deputy CEO	Value Creation, MSEK	80%	a) –165 b) 20%	a) 539 b) 100%	a) –45 b) 26.8% c) 21.4%
	Carbon Emissions Intensity, tCO ₂ e/tonne	20%	a) 9.8 b) 20%	a) 7.9 b) 100%	a) 8.9 b) 59.4% c) 11.9
	Total outcome¹⁾				a) 33.3%

1) Remuneration for STI can as a maximum amount to 60 per cent of the fixed annual basic salary for both CEO and deputy CEO.

Comparison between the remuneration and the company performance during the previous five reported fiscal years

MSEK	Annual change					Financial year 2022
	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	
Managers' remuneration ¹⁾						
Jörgen Rosengren, CEO ²⁾	–	–	–	5.3	7.3	12.6
Oskar Hellström, deputy CEO	0.5	2.0	2.3	1.9	-0.4	13.4
Johan Menckel, CEO ³⁾	0.8	0.8	1.4	-9.6	-6.1	–
Financial result						
The Group's adjusted operating profit	72	-139	-218	360	142	1,150
Average remuneration for employees calculated in full-time employment						
Employees in the Group, excluding senior managers	0.0	0.0	0.0	-0.1	0.0	0.5

1) Excluding other benefits for obtaining comparability with average remuneration for employees calculated in full-time employment.

2) CEO since 1 October 2021.

3) CEO until 31 July 2021.

Stockholm in March 2023
Gränges AB (publ)
The Board of Directors